

City of Asheville
North Carolina



FY 2008-09 2nd QUARTER REPORT & FY 2009-10 BUDGET UPDATE

Ben Durant
Chief Financial Officer



Overview



- Second quarter results & current year budget trends show a \$754,000 revenue shortfall.
- Short-term “stop-gap” measures have been implemented in the current year to close the gap.
- FY 2009-10 budget numbers continue to indicate an imbalance between revenues & expenditures.

Current General Fund Budget



| | |
|----------------|--------------|
| Adopted Budget | \$88,945,552 |
|----------------|--------------|

| | |
|--------------|-------------|
| Encumbrances | \$1,443,395 |
|--------------|-------------|

Amendments:

| | |
|-------------------------|----------|
| Bullet Proof Vest Grant | \$23,018 |
|-------------------------|----------|

| | |
|-------------------|----------|
| Energy Mgt. Plan* | \$50,000 |
|-------------------|----------|

| | |
|------------------------------|----------|
| Unison Econ. Dev. Incentive* | \$47,250 |
|------------------------------|----------|

| | |
|---------------------------|-------|
| W. Car. Rescue Min. Grant | \$500 |
|---------------------------|-------|

| | |
|------------------------|----------|
| GPI Fireworks Donation | \$40,000 |
|------------------------|----------|

| | |
|------------------|-----------|
| Total Amendments | \$160,768 |
|------------------|-----------|

| | |
|---------------------------|--------------|
| FY 2008-09 Current Budget | \$90,549,715 |
|---------------------------|--------------|

* Fund balance appropriations total \$97,250

General Fund Revenue Highlights



- Property tax projections have improved.
 - FY 2008-09 tax base grew 4.2% vs. 10-year avg. of 3.3%.
 - Revenue will exceed budget by \$100,000.
- Sales tax projections have been lowered.
 - Sales tax revenue through December down 3.1%.
 - Revenue will fall short of budget by \$1.5 million.

General Fund Revenue Highlights



- One-time state utility tax payment of \$300,000.
- Overall General Fund revenue:
 - Initial projected shortfall: \$1.0 million
 - **Revised projected shortfall: \$754,000**

General Fund Expenditure Reduction Strategies



| | |
|--|--------------------|
| Selective Hiring Program | \$250,000 |
| Delay Equipment & Vehicle Purchases until Spring | \$225,000 |
| Divert Civic Center Capital Project Savings | \$100,000 |
| Departmental Line Item Reductions | \$425,000 |
| Total Savings | \$1,000,000 |

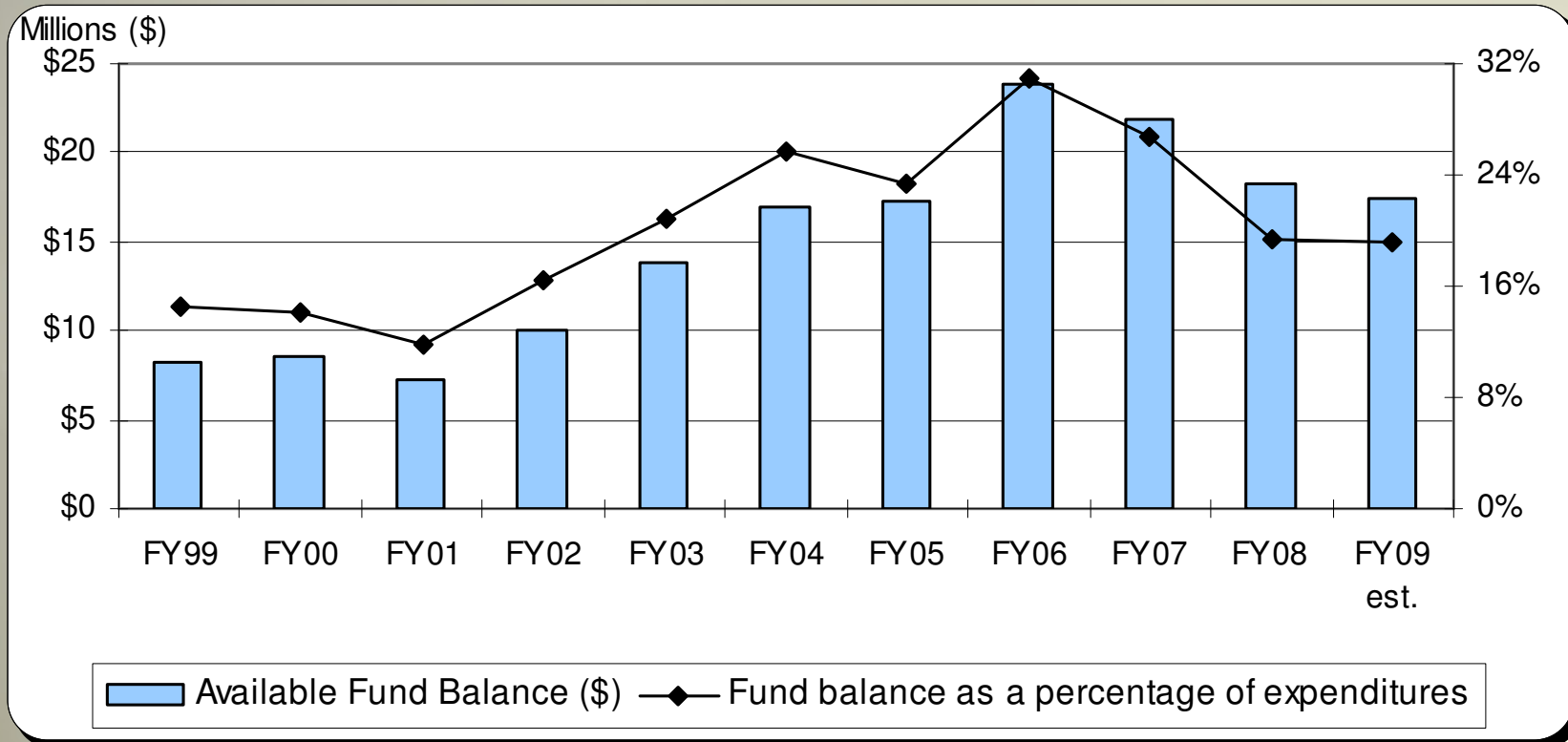
FY 09 Current Year Trends (Fund Balance)



| | Adopted Budget | Current Budget | Year-End Estimate |
|-----------------------------------|-------------------|-------------------|----------------------|
| Revenues | 89,945,552 | 89,009,070 | 88,255,070 |
| Expenditures | 89,945,552 | 90,549,715 | 89,549,715 |
| Other Financing Sources (Uses) | 0 | 0 | (696,370) |
| Fund Balance (Use) | 0 | (1,540,645) | (1,991,015) |
| Available Fund Balance at 6/30/08 | 19,675,288 | 19,675,288 | 19,675,288 |
| Projected Fund Balance at 6/30/09 | 19,675,288 | 18,134,643 | 17,684,273 |
| Fund Balance % | 21.9% | 20.0% | 19.7% |

* Year-end fund balance usage assumes that the City will receive no revenue from land sale or grants to cover the payments for the Overlook & Haw Creek Park land purchases.

FY 09 Current Year Trends (Fund Balance)



FY 2008-09 2nd QUARTER REPORT & FY 2009-10 BUDGET UPDATE

FY 2009-10 BUDGET UPDATE



Fall Outlook: Initial General Fund Gap



General Fund

| | <u>Next Year Projection</u> |
|----------------------|---------------------------------|
| Property Taxes | 44,000,000 |
| Sales & Other Taxes | 17,000,000 |
| Intergovernmental | 11,000,000 |
| Charges for Services | 10,800,000 |
| Licenses & Permits | 5,325,000 |
| Investment Earnings | 1,100,000 |
| Miscellaneous | <u>300,000</u> |
| Total Revenue | 89,525,000 |

| | <u>Next Year Projection</u> |
|---------------------|---------------------------------|
| Personnel Costs | 60,300,000 |
| Operating Costs | 23,000,000 |
| Interfund Transfers | 2,900,000 |
| Debt Service | 5,700,000 |
| Capital Outlay | <u>3,000,000</u> |
| Total Expenditure | 94,900,000 |

Revenue (Under) Expenditures (5,375,000)

Fall Outlook: Initial Budget Assumptions



- 1.5% overall growth in revenue
 - Property tax growth of 2.0% in FY 2008-09 & FY 2009-10
 - Sales tax growth of 0% in both FY 2008-09 & FT 2009-10
- Expenditures:
 - Continue market-based pay adjustments & merit program
 - 10% increase in health care budget
 - 5% increase in operating costs due to inflation in key areas
 - No increase in debt service or capital outlay

Current Outlook: Budget Assumptions



- Property tax projections have improved.
 - FY 2008-09 tax base grew 4.2% vs. 10-year avg. of 3.3%.
 - Growth is expected to slow to 2.0% in FY 2009-10 due to recession.
- Sales tax projections have been lowered.
 - Sales tax revenue through December down 3.1%.
 - Revenue will fall short of budget by \$1.5 million in current year.
 - Sales tax revenue likely to remain flat in FY 2009-10.

Current Outlook: Budget Assumptions



- Airport Road & Ridgefield Annexations
 - Become part of the City on March 31
 - Additional FY 2009-10 revenue: \$900,000
 - Additional FY 2009-10 costs: \$575,000
 - 3 firefighters & payments to rural departments
 - 2 police officers
 - Airport Road sewer installation
 - Sanitation costs
 - Net Revenue Gain: \$325,000

Current Outlook: Budget Assumptions



- Suspend market adjustments \$1,000,000
- Eliminate merit pay (salary freeze) \$750,000
- Reduce Housing Trust Fund transfer \$300,000
- Reduce Transit Fund transfer \$500,000
- Re-engineering/mgmt. streamlining \$1,000,000
 - 20 general fund positions eliminated

Current Outlook: Budget Assumptions



- Increase cost recovery from fees \$500,000
- Reduce fund balance from 19% to 18% \$1,000,000
- Cost savings opportunities \$500,000
 - Shift to volunteers
 - Private sponsorships
 - Service level reductions
 - (eg. – once vs. twice monthly brush collection)

Current Outlook: Budget Assumptions



- Council Strategic Priorities: \$250,000
 - Downtown cleanliness program
 - Pack Square Park operations

Current Outlook: General Fund Budget Gap



General Fund

| | 24-Feb Assumptions |
|----------------------|-----------------------|
| Property Taxes | 45,000,000 |
| Sales & Other Taxes | 16,500,000 |
| Intergovernmental | 11,000,000 |
| Charges for Services | 11,375,000 |
| Licenses & Permits | 5,000,000 |
| Investment Earnings | 1,000,000 |
| Miscellaneous | 275,000 |
| Fund Balance | 1,000,000 |
| Total Revenue | 91,150,000 |

| | 24-Feb Assumptions |
|---------------------|-----------------------|
| Personnel Costs | 57,950,000 |
| Operating Costs | 22,875,000 |
| Interfund Transfers | 2,000,000 |
| Debt Service | 5,700,000 |
| Capital Outlay | 3,000,000 |
| Total Expenditure | 91,525,000 |

Revenue (Under) Expenditures **(375,000)**

Council Policy Direction: Budget Forecast



- Staff recommends Council review & consider current forecast assumptions.
- Is Council comfortable with current property tax, sales tax, and overall revenue assumptions?
- Is Council comfortable with the budget balancing mix?
 - Cost controls
 - Re-engineering
 - Salary freeze
 - Fund balance usage
 - Other expenditure assumptions

Council Policy Direction: Budget Process



- Staff recommends submittal of the Manager's Recommended Budget on May 12th.
- Between now and April 14, staff recommends that the Council Finance Committee review major policy issues:
 - Revenues/fees
 - Capital maintenance & improvement priorities
 - Outside agency contracts
 - Service reduction & volunteer/sponsorship opportunities
- Council may also wish to schedule a public input opportunity during a regular March meeting.

City of Asheville
North Carolina

